

Flash Note

Monday, 19 February 2018

Commercial Banks

UBL: 4QCY17 income down 2%YoY, dented by higher provision charge

- United Bank Limited (UBL) reported unconsolidated earnings for the 4QCY17 of PKR 6.3bn (EPS: PKR 5.16), down by 2%YoY (up +8%QoQ). This brings CY17 cumulative earnings to PKR 25.4bn (EPS: PKR 20.77), down by 8%YoY.
- The bank also announced cash dividend of PKR 4.00/share, bringing full year CY17 total cash dividend to PKR 13.00/share.
- During the quarter, net interest income rose by a meagre +1%YoY due to rapid increase in interest expense (up +37%YoY). Resultantly, CY17 net interest income fell by 1%YoY due to +23%YoY rise in interest expense against a +9%YoY increase in interest earned.
- Non-interest income rose by +16%YoY primarily due to +21%YoY increase in fee income. On a full year basis, 22% decline in capital gains and dividend income resulted in 6% fall in non-interest income.
- Operating expenses rose by +6%YoY during the quarter and +8%YoY in full year CY17.
- The biggest dent to earnings came from PKR 2.6bn provision charge (up +6.3xYoY). Cumulatively, CY17 recorded a provision charge of PKR 2.6bn, up +76%YoY.

Exhibit:

UBL Result Highlights

PKRmn (Period end=Dec)	4QCY17	4QCY16	YoY	CY17	CY16	YoY
Interest Earned	29,048	24,864	17%	107,206	98,219	9%
Interest Expensed	14,806	10,820	37%	50,781	41,177	23%
Net Interest Income	14,242	14,044	1%	56,424	57,043	-1%
Fee Income	3,855	3,174	21%	12,618	12,319	2%
Capital Gain & Div. Income	1,394	1,446	-4%	6,762	8,629	-22%
Non-Interest Income	6,047	5,191	16%	22,162	23,609	-6%
Total Revenue	20,290	19,235	5%	78,587	80,651	-3%
Operating Expenses	8,962	8,451	6%	35,829	33,157	8%
Pre-Provisioning Profits	11,327	10,785	5%	42,757	47,494	-10%
Provision (Rev.) / Charge	2,555	349	6.30x	2,597	1,479	76%
Pre-Tax Profits	8,773	10,435	-16%	40,160	46,016	-13%
Taxation	2,451	4,010	-39%	14,739	18,285	-19%
Profit After Tax	6,321	6,426	-2%	25,421	27,730	-8%
EPS (PKR)	5.16	5.25		20.77	22.65	
DPS (PKR)	4.00	4.00		13.00	13.00	
BVPS (PKR) Est.	129.28	123.99				

KEY RATIOS

Cost-To-Income Ratio	44%	44%		46%	41%	
Effective Tax Rate	28%	38%		37%	40%	
Non-II / Total Income	30%	27%		28%	29%	

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1224.2

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